

Nordea

Russian Markets - Daily

November 14, 2011

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|---|------------|-------|---|
| RUB retreated on Italy concern | USD/RUB | 30.54 | ▼ |
| Liquidity is low | EUR/RUB | 41.65 | ▼ |
| Demand for RUB liquidity is scant during 1st decade | RUB basket | 35.55 | ▼ |

Hot News

- US President Obama in a meeting with Russian President Medvedev on Sunday said that the US will work to abolish the Jackson-Vanik amendment in regard to Russia, which will open up new opportunities for cooperation. The Jackson-Vanik amendment on restricting trade with the Soviet Union which the US adopted in 1974 was one of the key barriers for the country's entry to the WTO. /Interfax
- The head of Russia's largest state bank - Sberbank - Gref said that there was no danger to Russia's economy after its accession to the WTO. "We have a long transition period during which we will prepare for normal international competition" – he said. According to Gref Russia's WTO accession is an important event for the country and will make Russia more attractive for investments. /Interfax
- According to Russia's Deputy Economic Development Minister A. Klepach, to reduce inflation in Russia to 4.5-5% will only be possible in 2014-2015. Reduction in inflation to the level of 3% is possible only "much later - to the 2018-2019 year". /Interfax

Money Market

Liquidity level is sufficient but this level was reached due to huge Central Bank REPO operations. Today banks have more than 1000 billion rubles on deposit and in correspondent accounts with the Central Bank. Demand on CBR one-day REPO stay high. Demand for ruble liquidity will probably continue to increase as coming tax payments will deteriorate liquidity in the end of the month.

Currency Market

The RUB weakened by 7 kopeck against the EUR and USD basket on Friday closing at 35.53, with the losses concentrated on the EUR leg, as the EURUSD shot up at the end of the day. Meanwhile RUB gained almost 12 kopeck against the USD – but still, it was a weaker gain than that of many of the Emerging Market currencies like HUF, CZK, PLN, TRY, ZAR, RON which all gained over 1% vs USD on Friday. Today however the sentiment is still positive and RUB catches up – the basket traded around 10 kopeck lower in the first hour of the daily session. RUB is helped by the positive dynamics in the oil market, as the Brent, after having retreated to USD 113/bbl at the end of the last week, is now again shy of USD 115/bbl, trading at USD 114.7/bbl here in the morning. The European debt crisis will remain a key market driver for a while. ECB is put to a test today – whether they will continue to actively support the periphery bond market, which will especially be needed if the Italian bond auction disappoints. From the ECB comments last week, also the interview with Bundesbank's president Weidmann (FT), they are getting more and more unhappy about serving as lenders of last resort. When/if ECB says "enough is enough", the markets will be hugely disappointed. Back to Russia, the GDP and the monthly figures are on the this week's program – the latter numbers will show how much Russian economy has been affected by the recent liquidity squeeze. Given the improvement in the latest PMI report we do not expect negative surprises, and we expect GDP growth in Q3 to come out at 5.2% y/y, i.e. at a healthy improvement from 3.4% y/y in Q2.

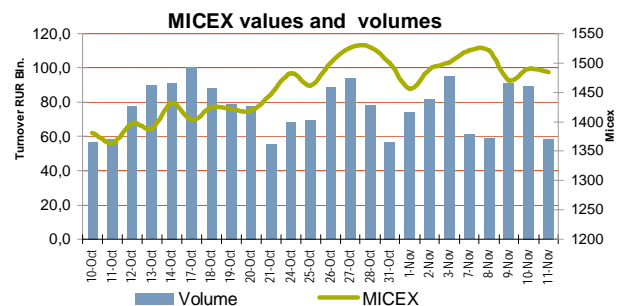
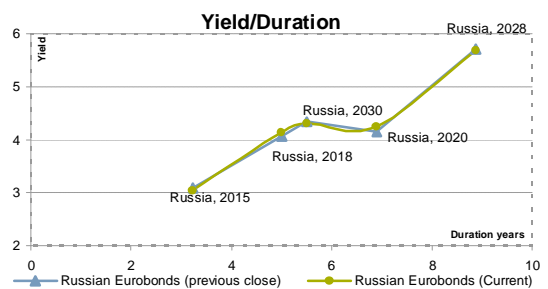
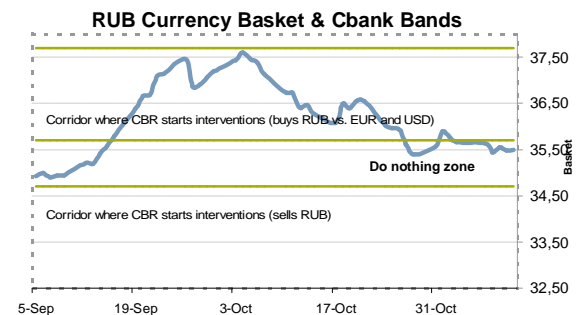
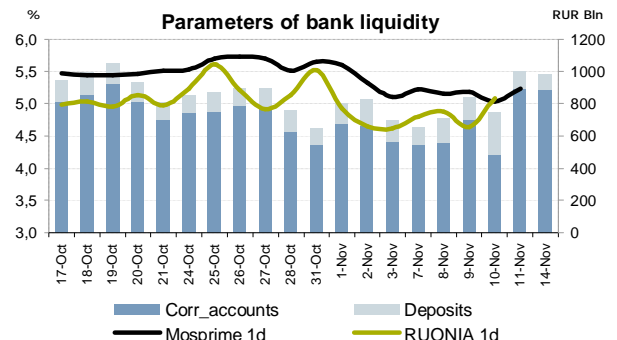
Debt and Equity Markets

The Russian stock market was flat on Friday. Today opening was higher as Global markets have positive sentiment. Strong oil prices support Russian stock market. Micex index has resistance line at 1550 which will likely become new target for speculators.

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| Forwards | 1m. | 3m. | 6m. | |
|-----------------------|----------|--------|----------|----------|
| USD/RUB | 30,488 | 30,798 | 31,228 | |
| EUR/RUB | 41,785 | 42,395 | 43,029 | |
| Money Market | Close | Change | Max 12m | Min 12m |
| MosPrime 1M (%) | 6,25 | 0,02 | 6,39 | 3,23 |
| MIBOR 1m (%) | 6,19 | -0,03 | 6,29 | 3,87 |
| RUONIA 1d (%) | 4,64 | -0,24 | | |
| Implied NDF yield 6m% | 6,51 | 0,02 | 8,48 | 3,42 |
| Debt | Close | Change | Max 12m | Min 12m |
| Russia CDS 5yr | 225 | 1 | 306,75 | 119 |
| Eurobond Russia 30Y | 4,224 | -0,103 | 5,48 | 4,039 |
| EMBI + | 600,4 | 0 | 603,86 | 542,64 |
| Stock Indexes | Close | Change | Max 12m | Min 12m |
| RTSI | 1530,70 | 0,06 | 2123,56 | 1217,21 |
| Micex | 1484,97 | -0,31 | 1859,99 | 1265,67 |
| S&P 500 | 1263,85 | 1,95 | 1363,61 | 1099,23 |
| DJIA | 12153,68 | 2,19 | 12810,54 | 10655,30 |
| Brent | 114,60 | 0,90 | 129,43 | 67,20 |



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